



UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE

7014 FEDERAL BUILDING, 1961 STOUT STREET
DENVER, COLORADO 80202

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GAO 00330

JUN 14 1971

Mr. N. O. Frederick
Regional Oil and Gas Supervisor
Southern Rocky Mountain Region
U. S. Geological Survey
Roswell, New Mexico 88201

AGC00215



Dear Mr. Frederick:

We have completed our review at the Regional Office of the Southern Rocky Mountain Region regarding the time that has elapsed between the earning of revenue from oil and gas leases and its being recorded and reported to the Bureau of Land Management (BLM). The review at the Region was part of a study conducted at selected departments and agencies to determine if they were reporting accruals in accordance with the concepts of the Office of Management and Budget Bulletin No. 68-10, as amended by the letter from the Director, Office of Management and Budget, dated April 13, 1970, and Treasury Fiscal Requirements Manual (TFRM) Transmittal Letters Number 18, 36, 46, and 49. The data gathered was primarily for the information of the Steering Committee of the President's Commission on Budget Concepts.

AGC00008

agency
statements

We reviewed regulations and records and interviewed Regional personnel.

Budget receipts

We believe that in numerous cases a significant amount of time has elapsed between the earning of revenue from oil and gas leases and its being recorded and reported to the BLM. During our review BLM and Geological Survey took steps to improve the timeliness of recording and reporting of accounts receivable and cash collections, but these changes were made subsequent to the time that we conducted our tests to determine elapsed time.

On December 17, 1970, our Office of Policy and Special Studies reported to the Director, U. S. Geological Survey, that under existing procedures at the Region oil royalty revenues will be reported to BLM by the end of the month following the month of production and gas royalty revenues will generally be reported by the end of the second month after the month of production. A copy of the letter is enclosed.

In addition to what is described in the above general statements, we believe that under existing procedures there will be several cases for each production month where oil royalty revenues are not reported

equal.

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Mr. N. O. Frederick
U. S. Geological Survey

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to BLM until the second month after the month of production and where gas royalty revenues are not reported until the third month after the month of production.

The above letter indicates estimated gas royalty reporting procedures established by the Geological Survey at Metairie, Louisiana, improved the timeliness of producer submissions. However, based on comments of Regional officials, it does not appear to be feasible at this time to estimate gas royalty revenue in order to speed the reporting process primarily because the Region is understaffed and because of the problems the lessees would have obtaining information to allow estimates to be made. We also recognize tight data processing cycles and other problems may make it difficult for lessees and processors to get their production reports in sooner. However, we believe the Region should make an attempt to get them to submit production reports at the earliest possible date.

Also we believe that in addition to the procedures in effect whereby reports missing at the time of monthly processing of files for data submittal are noted for follow-up action, consideration should be given to more positive controls to monitor lessee and processor report performance. It is our understanding that the Conservation Division of the Geological Survey is developing a program which includes this feature.

Please notify us as soon as possible regarding the actions you have taken regarding the areas mentioned above.

A copy of this letter is being sent to the Director, U. S. Geological Survey.

We appreciate the cooperation received from your staff. We will be glad to discuss the results of our work with you or your staff if you so desire.

Sincerely yours,



S. D. McElyea
Regional Manager

Enclosure:
As stated



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

OFFICE OF POLICY AND
SPECIAL STUDIES

DEC 17 1970

Mr. William T. Pecora
Director, U. S. Geological Survey
Department of the Interior

Dear Mr. Pecora:

As part of our test of the adequacy of the processes and controls employed by the Bureau of Land Management (BLM) in recording and reporting accrued revenues, we made a limited test of revenue transactions accomplished by the Geological Survey (GS) in Survey offices at Metairie, La and Roswell, N. M. We also had numerous discussions with personnel of your Conservation Division in Washington.

During the course of our test BLM and GS took steps to improve the timeliness of recording and reporting of accounts receivable and cash collections. Under the procedures now in effect oil royalty cash revenues and revenue based on receivables will both be reported for the month following the production month in which they were actually earned.

Unless a method of estimating revenues earned is developed and applied in each accounting period, oil royalty revenues will always be reported one month after they actually accrue.

In the case of gas royalties, revenues will generally be reported in the second month following the production month. Estimated gas royalty reporting procedures which have been established by GS at Metairie, La., have resulted in improved timeliness of producer submissions of royalties.

We have identified the following problem areas for review by the Steering Committee (Office of Management and Budget, Treasury Department, and General Accounting Office) of the President's Commission on Budget Concepts.

1. Rent and royalty revenues from the Outer Continental Shelf leases in dispute between the United States and the Gulf states bordering on the production areas are not in the Treasury Department's accrual reporting system requirement.

2. Shared revenue liabilities are not presently required to be reported against receipt accounts.

3. Receivables are being reported for billings uncollected because of litigation.

GS will be advised through your Departmental channels of any changes in procedures determined to be appropriate.

We wish to express our appreciation for the fine cooperation we received during our test at GS. We will be glad to discuss the results of our work with you or your staff if you so desire.

Sincerely yours,



For Daniel Barth
Deputy Director

12-17-70

